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 Before the
 Federal Communications Commission
 Washington, D.C. 20554

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In the Matter of

National Exchange Carrier Association, Inc.
 2006 Modification of Average Schedules

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FCC Mail Room

WC Docket No. 05-347

ORDER

Adopted: May 30, 2006

Released: May 30, 2006

By the Chief, Pricing Policy Division,
 Wireline Competition Bureau:

1. On December 29, 2005, the National Exchange Carrier Association, Inc. (NECA) filed proposed modifications to the current average schedule formulas to become effective July 1, 2006.¹ NECA's filing was submitted in accordance with Commission rules that require NECA to submit proposed modifications to the average schedule formulas annually or to certify that no modifications are warranted.² In its filing, NECA proposes revisions to the common line formulas, including Common Line Access Line, Common Line Rate of Return, Common Line Line Port, Common Line Transport, and Central Office.³ NECA also proposes revisions to the traffic sensitive formulas, including Traffic Sensitive Central Office, Intertoll Switching, Line Haul Distance Sensitive, Line Haul Non-Distance Sensitive, Traffic Sensitive Transport, Special Access, Traffic Sensitive Rate of Return, and Signaling System 7.⁴ These proposed revisions contain structural changes to the common line and special access formulas. NECA also continues to adjust the formulas to reflect the allocation rules mandated by the *MAG Order*.⁵ NECA requests that these modifications take effect on July 1, 2006, and remain in effect through June 30, 2007. NECA also includes a two-year transition plan to address significant reductions resulting from structural changes to the common line and special access formulas.

¹ See *National Exchange Carrier Association, Inc.'s 2006 Modification of Average Schedule Formulas*, WC Docket No. 05-347 (filed Dec. 29, 2005) (*2006 NECA Proposed Modification of Average Schedule Formulas*).

² 47 C.F.R. § 69.606(b).

³ *2006 NECA Proposed Modification of Average Schedule Formulas* at VIII-1 to VIII-3.

⁴ *Id.* at VIII-4 to VIII-8.

⁵ *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 19613 (2001) (*MAG Order*).

2. By Public Notice issued January 13, 2006, we sought comment on NECA's filing.⁶ On February 3, 2006, the Organization for the Promotion and Advancement of Small Telecommunications Companies filed comments supporting NECA's proposed revisions to the average schedule formulas and the transition plan.⁷ No party opposed the proposed revisions. On April 4, 2006, NECA supplemented its proposal to conform the special access settlement formula to the new DSL tariff rate structure that became effective on April 1, 2006.⁸ Subsequently, NECA also clarified that transition plan payments would be adjusted in three instances: DSL detariffing pursuant to the *Wireline Broadband Order*,⁹ withdrawal of carriers from NECA's traffic-sensitive pool, and conversion by some carriers from average schedule to cost settlements.¹⁰

3. We have reviewed NECA's filing, including the April 4 supplement, and find that its proposed formulas are reasonable for use in developing NECA's rates for its 2006 annual access tariff filing. Therefore, pursuant to section 69.606(a) of the Commission's rules,¹¹ we approve the proposed average schedule formulas as submitted in NECA's filings.

4. We also approve the transition plan included as part of this year's filing as clarified by the May 11 letter. The two-year transition plan is designed to moderate the effect of the reduced settlements resulting from the restructuring of the common line and special access formulas. NECA indicates that the common line transition plan affects carriers with more than 10,000 access lines and five exchanges, and covers the 10.89 percent reduction in interstate settlements resulting from the structural change to the common line formulas, which is separate from other common line reductions.¹² For special access, the transition would cover the amount that the carrier's settlement reduction exceeds the formula average proposed reduction of 10.24 percent.¹³ The amount a carrier would receive would be limited to

⁶ See *National Exchange Carrier Association, Inc.'s Proposed 2006 Modification of Average Schedule Formulas*, WC Docket No. 05-347, Public Notice, DA 06-64 (rel. Jan. 13, 2006).

⁷ Comments of the Organization for the Promotion and Advancement of Small Telecommunications Companies, WC Docket No. 05-347 (filed Feb. 3, 2006).

⁸ See Letter from Richard A. Askoff, Esq., Executive Director - Regulatory, NECA, to Marlene H. Dortch, Secretary, FCC (filed Apr. 4, 2006).

⁹ *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers, Review of Regulatory Requirements for Incumbent LEC Broadband Telecommunications Services, Computer III Further Remand Proceedings, Bell Operating Company Provision of Advanced Services, 1998 Biennial Regulatory Review of Computer III and ONA Safeguards and Requirements, Conditional Petition of the Verizon Telephone Companies for Forbearance under Section 47 U.S.C. § 160(c) with Regard to Broadband Services Provided Via Fiber to the Premises, Petition of the Verizon Telephone Companies for Declaratory Ruling or, Alternatively, for Interim Waiver with Regard to Broadband Services Provided Via Fiber to the Premises, Consumer Protection in the Broadband Era*, CC Docket Nos. 02-33, 01-337, 95-20, and 98-10, WC Docket Nos. 04-242 and 05-271, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853 (2005).

¹⁰ See Letter from Richard A. Askoff, Esq., Executive Director - Regulatory, NECA, to Marlene H. Dortch, Secretary, FCC (filed May 11, 2006) (*NECA May 11 Letter*).

¹¹ 47 C.F.R. § 69.606(a).

¹² *2006 NECA Proposed Modification of Average Schedule Formulas* at VII-69.

¹³ *Id.* at VII-69 to VII-70.

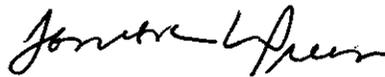
its net reduction in interstate settlements.¹⁴ NECA estimates that the transition plan would result in additional settlements of \$11.39 million in the first year and \$4 million in the second year.¹⁵ Although changes in average schedule settlements normally should parallel changes in cost company settlements, we find that the present circumstances do justify a transition plan for average schedule companies to allow those companies sufficient time to adjust to the decrease in interstate settlements resulting from the structural changes in the common line and special access formulas. We believe that the transition plan will prevent undue short-term hardships in adjusting to reduced settlements.¹⁶

5. Accordingly, IT IS ORDERED, pursuant to sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, that the average schedule formulas proposed by the National Exchange Carrier Association, Inc., on December 29, 2005, including the April 4, 2006, supplement, SHALL BECOME EFFECTIVE July 1, 2006, and remain in effect through June 30, 2007.

6. IT IS FURTHER ORDERED, pursuant to section 4(i) of the Communications Act of 1934, as amended, 47 U.S.C. § 154(i), and sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, that the transition plan included with the National Exchange Carrier Association, Inc.'s filing as clarified on May 11, 2006, IS APPROVED.

7. IT IS FURTHER ORDERED, pursuant to section 4(i) of the Communications Act of 1934, as amended, 47 U.S.C. § 154(i), section 553(6)(B) of the Administrative Procedures Act, 5 U.S.C. § 553(6)(B), and sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, that THIS ORDER IS EFFECTIVE UPON ITS RELEASE.

FEDERAL COMMUNICATIONS COMMISSION



Tamara L. Preiss
Chief, Pricing Policy Division
Wireline Competition Bureau

¹⁴ *Id.* at VII-70.

¹⁵ *NECA May 11 Letter*, Attachment at 1.

¹⁶ *See Revisions to the Average Schedules Proposed by NECA on October 3 1988*, Memorandum Opinion and Order, 4 FCC Rcd 2804, 2812, paras. 58-61 (Com. Car. Bur. 1988) (approving a two-year transition plan in recognition of significant industry changes).